Ever Smart International Holdings Ltd.
永駿國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code: 8187

FIRST QUARTERLY REPORT 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the "**Directors**") of Ever Smart International Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

RESULTS

The board (the "**Board**") of directors ("**Directors**") of Ever Smart International Holdings Limited (the "**Company**") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the three months ended 31 March 2017, together with the comparative unaudited figures of the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Notes	**(Unaudited) Three months ended 31 March** **2017** **HK$'000**	2016 HK$'000
Revenue	4	**39,311**	57,497
Cost of sales		**(36,279)**	(50,407)
Gross profit		**3,032**	7,090
Other income		**617**	794
Other expenses		**(1,030)**	(142)
Other gains and losses		**8**	17
Selling and distribution expenses		**(2,473)**	(1,746)
Administrative expenses		**(4,228)**	(3,397)
Listing expenses		**–**	(2,406)
Finance costs		**(297)**	(233)
Loss before taxation		**(4,371)**	(23)
Income tax expense	5	**–**	(481)
Loss for the period	6	**(4,371)**	(504)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(11)**	(11)
Total comprehensive expense for the period		**(4,382)**	(515)
Loss per share			
– Basic (HK cents)	8	**(0.91)**	(0.14)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2016 (Audited)	–	–	201	(67)	–	15,632	15,766
Exchange differences arising on the translation of foreign operations	–	–	(11)	–	–	–	(11)
Loss for the period	–	–	–	–	–	(504)	(504)
Total comprehensive expense for the period	–	–	(11)	–	–	(504)	(515)
At 31 March 2016 (Unaudited)	–	–	190	(67)	–	15,128	15,251
At 1 January 2017 (Audited)	**4,800**	**46,917**	**309**	**(67)**	**–**	**1,961**	**53,920**
Exchange differences arising on the translation of foreign operations	**–**	**–**	**(11)**	**–**	**–**	**–**	**(11)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(4,371)**	**(4,371)**
Total comprehensive expense for the period	**–**	**–**	**(11)**	**–**	**–**	**(4,371)**	**(4,382)**
At 31 March 2017 (Unaudited)	**4,800**	**46,917**	**298**	**(67)**	**–**	**(2,410)**	**49,538**

Note: Capital reserve represents i) the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid for the acquisition of additional 60% non-controlling interest in a subsidiary, Alliance International Sourcing Limited ("**Alliance**") and ii) an amount of HK$10,000 representing the sum of the share capital of certain group entities including Ever Smart International Enterprise Limited, Dodge & Swerve Limited and Alliance which have been transferred to capital reserve as part of the Group reorganisation during the year ended 31 December 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 February 2015. The shares of the Company were listed on the GEM of The Stock Exchange on 30 May 2016. Its parent and ultimate holding company is Asia Matrix Investments Limited ("**Asia Matrix**"), a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Group is Mr. Ho Kin Wai.

The registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business of the Company is Unit 03, 15/F, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of the Group are design, development, sourcing, marketing and sale of footwear.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the functional currency of the Company, being United States dollars. The management of the Group considers that presenting the unaudited condensed consolidated financial statements in HK$ is preferable as the Company listed its shares on the Stock Exchange and most of its investors are located in Hong Kong.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and the methods of computation used in the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are the same as those followed in the Group's audited consolidated financial statements for the year ended 31 December 2016.

For the three months ended 31 March 2017, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the preparation of the Group's unaudited condensed consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs during the three months ended 31 March 2017 has had no material impact on the Group's financial performance and positions for the three months ended 31 March 2017 and 2016 and/or on the disclosure set out in these unaudited condensed consolidated financial statements.

4. REVENUE

The revenue of the Group arose from footwear design and development, production management (including quality control) and logistics management service.

	(Unaudited) Three months ended 31 March	
	2017	2016
	HK'000	HK'000
Design, development, sourcing, marketing and sale of footwear	**39,311**	57,497

5. INCOME TAX EXPENSE

	(Unaudited) Three months ended 31 March	
	2017	2016
	HK$'000	HK$'000
Hong Kong Profits Tax charge *(note i)*	–	347
People's Republic of China ("**PRC**")		
Enterprise Income Tax ("**EIT**") charge *(note ii)*	–	142
Deferred tax credit	–	(8)
	–	481

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group has no assessable profit for the three months ended 31 March 2017.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2016.

(ii) PRC

No provision for PRC EIT has been made in the unaudited condensed consolidated financial statements as the subsidiary established in the PRC has no assessable profit for the three months ended 31 March 2017.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for the subsidiary established in the PRC for the three months ended 31 March 2016, as determined in accordance with the relevant income tax rules and regulations in the PRC.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	(Unaudited) Three months ended 31 March	
	2017	2016
	HK$'000	HK$'000
Directors' remuneration	**1,069**	774
Other staff costs		
(excluding directors' remuneration)		
– Salaries, bonuses and other benefits	**3,864**	2,899
– Retirement benefit scheme contributions	**337**	366
Total staff costs	**4,201**	3,265
Depreciation of property, plant and equipment	**267**	240
Cost of inventories recognised as an expense	**36,279**	50,407
Operating lease rental expense in respect of rental premises	**259**	320
Interest income	**(30)**	(2)

7. DIVIDEND

No dividends were paid, declared or proposed during the three months ended 31 March 2017 and 2016. The directors of the Company do not recommend payment of interim dividend for the three months ended 31 March 2017.

8. LOSS PER SHARE

	(Unaudited) Three months ended 31 March	
	2017	2016
	HK$'000	HK$'000
Loss:		
Loss for the purpose of calculating basic loss per share (Loss for the period attributable to the owners of the Company)	**(4,371)**	(504)

	(Unaudited) Three months ended 31 March	
	2017	2016
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**480,000**	360,000

The number of ordinary shares for the purpose of calculating basic loss per share for the three-month period ended 31 March 2016 is determined on the assumption that the capitalisation issue of 359,999,000 shares had been effective on 1 January 2016.

No diluted loss per share is being presented for three-month periods ended 31 March 2017 and 2016 as there is no potential ordinary share in issue during both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue decreased by approximately 31.6% from approximately HK$57.5 million for the three months ended 31 March 2016 to approximately HK$39.3 million for the three months ended 31 March 2017. The Group's sales to customers with shipment destination to the United Kingdom and other European countries decreased by approximately 72.3% from approximately HK$18.4 million for the three months ended 31 March 2016 to approximately HK$5.1 million for the corresponding period in 2017. The occurrence of various unexpected global instability events since the listing of the shares of the Company on the GEM in May 2016, including Brexit and the resulting depreciation of the British pound, and terrorist attacks in Europe, have adversely affected customer sentiment. The decrease in revenue during the period under review as compared to the corresponding period in 2016 mainly resulted from such unexpected global instability events.

During the three months ended 31 March 2017, the Group's gross profit decreased by approximately 57.2% from approximately HK$7.1 million for the three months ended 31 March 2016 to approximately HK$3.0 million for the three months ended 31 March 2017. The Group's cost of sales comprises purchase cost and other costs including mainly staff costs, sample and molding fees and other overheads. The purchase cost to sales ratio was approximately 84% for the three months ended 31 March 2017 comparing to approximately 83% for the three months ended 31 March 2016. During the three months ended 31 March 2017, sample and molding fees increased significantly by approximately HK$0.5 million as compared to the corresponding period in 2016 which was attributable to the increased number of molds for the Group's new style of children's footwear and new brands requested by the Group's customers for potential orders. As a result mainly of the foregoing, the Group's gross profit margin decreased from approximately 12.3% for the three months ended 31 March 2016 to approximately 7.7% for the three months ended 31 March 2017.

Other income decreased to approximately HK$0.6 million for the three months ended 31 March 2017 from approximately HK$0.8 million for the corresponding period in 2016, primarily attributable to a decrease in samples and molding income of approximately HK$0.3 million which was partially offset by an increase in claims received of approximately HK$0.1 million. Claims received mainly represents the compensation the Group received from its footwear suppliers primarily for product quality defects and incorrect packaging reworks. Other expenses increased to approximately HK$1.0 million for the three months ended 31 March 2017 from approximately HK$0.1 million for the corresponding period in 2016, the increase is primarily attributable to an increase in claims paid of approximately HK$0.8 million which represents the compensation paid to the Group's customers for product quality defects and incorrect packaging reworks.

Selling and distribution expenses increased to approximately HK$2.5 million for the three months ended 31 March 2017 from approximately HK$1.7 million for the corresponding period in 2016, which was mainly due to an increase in salary for sales staff of approximately HK$0.7 million as compared with the corresponding period in 2016 as a result of the employment of additional sales staff for increasing the Group's efforts in approaching potential and existing customers for business opportunities and broadening our customer base and product offerings. As a result of the foregoing, the Group recorded a net loss for the three months ended 31 March 2017 of approximately HK$4.4 million, as compared to a net loss of approximately HK$0.5 million for the corresponding period in 2016.

Business Review and Outlook

The Group is principally engaged in the provision of footwear design and development, production management (including quality control) and logistics management service. The Group offers formal and casual footwear for men, women and children to its customers. Over the years of its operations since 2009, the Group has built a diverse global customer portfolio comprising mainly international wholesaler and retailers which are brand owners and/or licensees of formal and casual footwear.

The successful listing of the Company's shares on the GEM on 30 May 2016 by way of placing was a milestone for the Group in improving capital strength and corporate governance as well as enhancing its competitive edge.

The occurrence of various unexpected global instability events since the second half of 2016, including Brexit and the resulting depreciation of the British pound, and terrorist attacks in Europe, have adversely affected customer sentiment. The Group's major customers faced greater challenges in their businesses which resulted in a weaker performance of the Group during the period under review.

Looking forward, despite the weakened market sentiments of the footwear industry, the Group will continue to implement the business strategies as set out in the Company's prospectus dated 20 May 2016 ("**Prospectus**") in support of the Group's business objectives of maintaining its growth in the footwear design and development, production management and logistics management service industry and enhancing its overall competitiveness and market share. In order to deal with the challenging market conditions, the Group will continue to maintain close working relationships with our customers by visiting them to understand their latest business development and product requirements and explore business opportunities by approaching potential customers through referrals by existing customers.

On 11 April 2017, the Company announced that it entered into a non-legally binding Memorandum of Understanding ("**MOU**") with an agent of a brand owner which has the right to license certain names, characters and trade mark in connection with the manufacture, distribution, advertising, promotion and sale of certain articles of merchandise. Within the period of three months from the date of MOU, both the Company and the agent will negotiate in good faith, and may conclude and execute a formal agreement. The Company will make further announcement in respect thereof as and when required by the GEM Listing Rules.

On 5 May 2017, the Group announced that it intends to enter into a tenancy agreement with a landlord in relation to leasing a property for office and showroom in Dongguan City, Guangdong, the PRC for a term of five years commencing from May 2017. The leasing of the property is for the purpose of implementing the Group's business objective of broadening customer base and product offerings as disclosed in the section headed "Future plans and use of proceeds – Use of proceeds" in the Prospectus. Having considered the current uncertain global economic environment, the Board of Directors of the Company considers that the leasing of the property for office and showroom in the PRC would allow the Group to deploy its financial resources more effectively as the rental expense for the PRC office will be lower than that of a comparable Hong Kong office. The Group intends to utilize the remaining balance of the proceeds to lease a new office incorporating a showroom in Hong Kong as originally planned when an appropriate property in the proximity of the Group's existing office in Hong Kong is identified.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2017, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

Name of Director	Capacity	Number of shares or underlying shares held: Ordinary shares	Share options	Total	Percentage of issued share capital
Mr. Ho Kin Wai ("Mr. Ho")	Interest of controlled corporation *(Note)*	360,000,000 ordinary shares	–	360,000,000	75%

Note: These 360,000,000 shares are held by Asia Matrix. Mr. Ho beneficially owns 100% of the issued share capital of Asia Matrix.

Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature	No. share(s) held	Percentage of issued share capital
Mr. Ho	Asia Matrix	Beneficial owner	1	100%

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, so far as known to any Director or chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of shareholder	Capacity	Number of shares or underlying shares held	Percentage of issued share capital
Asia Matrix	Beneficiary owner	360,000,000	75%
Mr. Ho	Interest in a controlled corporation *(Note)*	360,000,000	75%

Note: These 360,000,000 shares are held by Asia Matrix, the entire issued share capital of which is beneficially owned as to 100% by Mr. Ho. Mr. Ho is deemed to be interested in all the shares held by Asia Matrix under the SFO. Mr. Ho is an executive director of the Company and Asia Matrix.

Save as disclosed above, as at 31 March 2017, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 31 March 2017, the Company or its subsidiaries did not redeem, purchase or sell any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Kingston Corporate Finance Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 15 October 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2017, none of the Directors or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

AUDIT COMMITTEE

The Company established the Audit Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company.

The Audit Committee currently consists of three members, namely Mr. Yuen Poi Lam William (Chairman), Mr. Lu Tak Ming and Mr. Liu Chun Kit, all being independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2017 and this quarterly report, and is of the view that the financial statements and report have complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
Ever Smart International Holdings Limited
Ho Kin Wai
Chairman

Hong Kong, 11 May 2017

As at the date of this report, the executive Directors are Mr. Ho Kin Wai and Mr. Ho Kin Pong, and the independent non-executive Directors are Mr. Yuen Poi Lam William, Mr. Lu Tak Ming and Mr. Liu Chun Kit.